

Finance Sub Group of the Partnership Council for Wales - Minutes
Wednesday, 1 March 2023 11:00-12:30 MS Teams

Attendees

Welsh Government Ministers

Rebecca Evans MS, Minister for Finance and Local Government – Chair

Welsh Local Government Association

Cllr Andrew Morgan (RCT)
Cllr Anthony Hunt (Torfaen)
Cllr Jane Mudd (Newport)
Cllr Ian Roberts (Flintshire)
Cllr Rob Stewart (Swansea)
Cllr Dyfrig Lewis Siencyn (Gwynedd)
Cllr Mark Pritchard (Wrexham)
Cllr Paul Griffiths (Monmouth)

Police and Crime Commissioners

Peter Curran – Chief Finance Officer, South Wales Police & Crime Commissioner

Welsh Local Government Association officials

Dr Chris Llewelyn – Chief Executive, WLGA
Jon Rae – Director of Resources, WLGA
Nigel Aurelius – Chief Finance Officer, Torfaen
Leah Witty – WLGA
Tom Goodwin - WLGA

Welsh Government policy officials

Judith Cole – Deputy Director, Local Government Finance Policy & Sustainability
Debra Carter – Deputy Director, Local Government Finance Reform
Emma Watkins – Deputy Director, Budget and Government Business
Clare Blake - Local Government Finance Reform
Ben Crudge – Local Government Finance Reform
Jo Banks – Local Government Finance Reform
Matt Wellington – Budget & Government Business
Hannah Chivers – Environment and Behavioural Taxes
Paula James – Local Government Strategic Engagement
Emma Smith – Local Government Finance Policy & Sustainability
Tim Evans – Local Government Finance Policy & Sustainability
Freya Gregory - Local Government Finance Policy & Sustainability

APOLOGIES

Cllr Llinos Medi (Ynys Mon)

Item 1: Welcome and Introductions

1. The Minister for Finance and Local Government (the minister) opened the meeting, thanking members for attending. The minister expected the focus of this meeting to be the final budget, and final local government settlement both published the previous afternoon as well as the wider financial context.

Item 2: Minutes and Matters Arising from the Previous Meeting

2. The minutes from the last meeting were circulated and agreed.
3. There were no comments of points on accuracy.

Item 3: Minister's update

4. The minister gave a brief update on the final local government settlement published on 28 February. She welcomed the positive feedback received on the provisional settlement and the indication for 2024-25 as well as acknowledging the challenges which nevertheless existed for the next two years. She noted that there was minimal change from the provisional settlement, mainly the transfer in of the Fire Pensions SCAPE funding of £6m.
5. The minister updated on the continuing progress on our local tax reform work. A 12-week consultation seeking views on reforming non-domestic rates in Wales ran from 21 September to 14 December and a summary of responses was published on 9 February. The consultation covered a wide range of proposed changes to the non-domestic rates system, seeking views on more frequent revaluations, the potential to vary the multiplier, improved information flows, reviewing the existing package of reliefs and exemptions, and addressing issues of fraud and avoidance.
6. In the longer term, alternative approaches to local taxation require further consideration. The consultation sought views on the possibility of a local land value tax; responses will be used to inform further work in this area. Officials will continue to develop proposals, such as introducing three-yearly non-domestic rates revaluations and the measures required to support them.
7. The Minister also mentioned that a summary of responses to the Phase 1 consultation on a Fairer Council Tax was published on 16 December, and that the Welsh Government will now move forwards into Phase 2 of consultation later in 2023, which will provide more detailed plans.
8. The minister thanked the group for all the contributions noting the benefit of close working with the knowledge and expertise in local government.

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9. The minister thanked Local Authorities for their responses to the Visitor Levy consultation which closed last December. The consultation received a high level of engagement and over 1000 responses in total with a wide range of views. The responses will guide the design of an optional levy so that it works well for areas where Local Authorities choose to adopt it.
10. Next steps will involve an initial costings exercise supported by the Welsh Revenue Authority (WRA) to help identify the potential administrative costs for delivery of a levy. They will need support from Local Authority officials to help undertake this work considering the range of potential delivery options.
11. This initial work will be followed by more detailed discovery activity during 2023-24. This will inform the Regulatory Impact Assessment and enable further consideration of the operational requirements for implementing a levy. The minister will continue to update the finance sub group as work on the levy progressed.
12. In response, Cllr Anthony Hunt echoed the minister's appreciation for the continuing spirit of partnership. Cllr Mark Pritchard raised the level of the Fire and Rescue Service levy of 9.4% and the use of a levy rather than a precept. The minister acknowledged the concerns but noted that funding arrangements were set in primary legislation. There could be concerns if a non-elected body were able to impose a tax.

Item 4: Reducing admin burden on local authorities

13. The minister explained that as part of the Welsh Government's Programme for Government, ministers had committed to reducing the administrative burden on local authorities. She updated on the engagement which had taken place with local authority colleagues to identify issues and opportunities for change. In total, 14 authorities had taken part in discussions and workshops. While the key messages from these discussions were set out in the paper, the Minister highlighted that overwhelming feedback related to the Welsh Government's approach to funding of local authorities particularly in terms of grants management and administration. This echoed previous discussions within FSG.
14. The minister noted that the paper sets out the next steps for this item and asked for any comments or questions, of which there were none.

Action – Officials to present more detailed update on reducing administration burden at future FSG.

Item 5: Final Local Government Settlement (WLGA paper on pressures)

15. The minister confirmed that there was little difference between the provisional and final settlement with changes limited to a reduced top slice for specified bodies and the transfer in of the Fire and Rescue Authority SCAPE pension. In

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2023-24 local authorities will receive a settlement of £5.5bn, an average increase across Wales of 7.9%. There were no queries raised on the settlement.

16. Cllr Anthony Hunt highlighted ongoing inflationary and budget pressures. He appreciated the better than anticipated 2023-24 settlement but set out the indicative funding gap for 2024-25. For 2023-24 council tax was predicted to increase by 5.6% on average. He noted local government was concerned in particular about the impact of pay increases. The local government pay agreement for 2022-2023 had added 6% to 7% to the pay-bill. The current offer would add a similar pressure. Anthony Hunt said that difficulties have been made more manageable by a common understanding of these pressures and hoped that this partnership approach would continue.
17. Cllr Andrew Morgan asked if the UK spring statement on 15 March was expected to announce consequential funding for Wales. The indicative increase in the local government settlement for 2024-2025 at 3.5% would be extremely challenging in the light of the ongoing pay pressures on local authorities over the next 12 months. He noted that there were continuing pressures on bus services and social care in particular. He confirmed that local government could evidence that additional funding for 2023-2024 was being directed to schools and education and looked forward to further discussion on the costs of any further pay offer for teachers.
18. The minister explained that the Chancellor has more money than expected due to late tax returns but is understood to be asking UK government departments to seek further savings. This suggests that any forthcoming significant consequentials are doubtful. She was grateful for the work to evidence the funding reaching schools which was helpful in ongoing discussions on teachers' pay.

Item 6: Distribution Sub Group (DSG) forward work plan

19. The minister handed over to Judith Cole to present a paper outlining the forward work plan.
20. Judith Cole summarised the key items of work set out in the programme and explained that the plan provided more detail on the underlying timescales for census outputs as members had previously requested. Judith explained that the programme included work starting on the outdated sparsity data but that this was not a small project and would take some time. The outcome of the work on local government finance reform would be expected to take effect in the 2025-26 settlement. Progress on the work of DSG and decisions on formula changes would be brought to FSG as usual.
21. The minister said that the amount of work the DSG does is not always appreciated and suggests more thought on how the work of the group can be

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communicated and made more transparent. A briefing session had been held with Senedd committee members.

22. Cllr Paul Griffiths added that he feels there is a lack of appreciation across Councillors of how the formula works. The more communication and education of the formula, in a well presented and concise way, that local authorities receive, including how it changes over time, the more constructive debates can be had in these areas. Cllr Ian Roberts said he welcome more engagement in this way so that people don't look at the settlement amounts as a "league table". He agreed further briefing would be helpful in local council debates, particularly with opposition groups. Judith Cole suggested that DSG engage with the Society of Welsh Treasurers (SWT) more. Anthony Hunt said he would consider how WLGA can develop understanding amongst local elected members.

Action – WG Officials and WLGA to continue to improve the transparency and communication of the DSG work and the formula.

Item 7: Police and Crime Commissioners' update

23. The minister handed over to Peter Curran to take the group through the latest update from the police and crime commissioners.
24. Peter Curran noted a shortfall of around £25m. Peter Curran advised that Wales is disadvantaged in respect of the tax base which is higher in England and the Home Office settlement took no account of inflation. Welsh Police forces are recruiting more officers to meet targets by the end of this financial year and therefore reducing officer numbers is not an option next year. The Police and Crime Commissioners have calculated that Cardiff as a capital city misses out on £4m when compared to other UK capital cities. There had been some progress in recognising the impact of the approach to apprenticeship funding.
25. Peter Curran said a consultation on the police formula review was about to commence. As police forces in Wales consider Wales is disadvantaged through the current formula he hoped they would benefit from any change. The minister said she was happy to support reviews by providing data if helpful. She asked why there was such a reduction in capital funding.
26. Peter Curran thanked the minister for the offer of help and explained that revenue funds rather than capital were allocated to give forces more flexibility but they had not risen sufficiently to meet revenue pressures and capital needs, especially for larger projects such as new helicopters. The minister noted that the Welsh Government capital budget will be 8.1% lower next year so there were challenges across the sectors.

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Item 8: Any other business

27. No other business.